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MEMORANDUM FOR: Deputy Director (Intelligence)

**SUBJECT: Transmittal of Sixth Monthly Report on
1964 Prospects for Agriculture in
Communist Countries**

The attached papers are the sixth in the series of monthly reports on the current 1964 outlook for agriculture in Communist countries. They have been prepared in response to a request from the DCI relayed to us by [REDACTED]

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Enclosure:
As stated above.

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Prospects for Agriculture in Communist Countries, 1964

1. USSR

In mid-July, the outlook is for a better than average grain crop. However, the Soviets are faced with a compressed harvest schedule and harvest losses may be heavy in the event of inclement weather in the early autumn. Winter wheat, rye, and barley crops, now being harvested, are rated as fair. The spring wheat crop should be the best in several years unless adverse weather develops in the next several weeks. At the meeting of the Supreme Soviet on 13 July, Khrushchev stated, "In most regions of the country, a rather gratifying picture is taking shape in the fields."

Although a dry fall affected germination and retarded development of winter grains in portions of the Ukraine, North Caucasus, and adjacent areas to the north, winter grains developed normally in most areas and winterkill was not as severe as last year. The cutting of winter wheat and barley is proceeding satisfactorily but frequent rains have caused a lag in threshing. Some difficulty is expected in harvesting rye lodged by these rains.

In the spring wheat area east of the Volga, moisture reserves at the end of June were well above average. Although there is a drying trend in this area, soil moisture is adequate for good crop development.

The current crop now forecast for 1964 would be sufficient to satisfy the USSR's domestic consumption requirements and in addition, probably to meet a large portion, if not all, of the deficit in the European Satellites. However, Khrushchev has announced the intention of replenishing the seriously depleted Soviet grain reserves, and has also indicated that grain exports will be limited, at least to the West. On balance, therefore, sizable Soviet imports of grain during the coming year appear unlikely.

The development of crops other than grain in European USSR was retarded by the late spring, but a warm June and rains in early July have improved conditions in these areas. Corn, potatoes, vegetables, sunflowers, and sugar beets appear to have recovered after a slow start. Yields of forage crops, particularly hay, appear to be good in many regions. There have been delays, however, in the hay harvest, and haying operations may have to be curtailed to concentrate labor on the grain harvest.

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2. Eastern European Countries

The current outlook for grain production in the European Satellites does not point to any significant change in the overall import requirement for grain in the 1964/65 consumption year from that in 1963/64. Czechoslovakia recently purchased 900,000 tons of wheat from Canada for delivery by November under the five year trade agreement signed last October. There is no concrete evidence of the extent to which the USSR may be willing to export grain to eastern Europe in the coming year.

As of mid-July, the outlook was for the total production of bread grains (wheat and rye) to exceed that of 1963 in all of the eastern European countries except Bulgaria and possibly Czechoslovakia. The largest increases in production are estimated for East Germany, Hungary, and Albania, but production will still be below the average level of 1957-61. In Bulgaria, damage to wheat by early drought and by heavy infestation of grain insects may reduce yields and production to the lowest level in several years. Hot, dry weather in Czechoslovakia and Poland during the heading stage of small grains has reduced yield prospects in those countries from last month.

Prospects for spring planted crops -- barley, oats, sugar beets and potatoes -- continued to be unfavorable in Czechoslovakia and Poland during June, while some improvement was noted in the southern Satellites. Although the early July rains were beneficial to grasslands and row crops, considerable drought damage reportedly had already been done to spring grains and to those winter grains on light sandy soils. It is likely that yields of oats and spring barley may be below average and below 1963 in both countries. As of mid-July the drought continued in southeastern Poland and eastern Slovakia.

Although the condition of most spring planted crops, including corn, in the other Satellites seems to be better than a year ago, reserves of soil moisture at the end of June were below normal in many important agricultural areas. Timely rainfall is needed throughout Eastern Europe in the coming weeks to prevent a downturn in crop prospects.

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5. Communist China

The winter wheat harvest in Communist China is estimated to be slightly larger than in 1963 because of a significant increase in acreage. It also appears likely that early rice output will be greater than the very poor crop of last year. The acreage of early rice is larger in most of the major producing regions, and although growing conditions were far from ideal, yields should exceed those of 1963. However, based on contracts entered into by 30 June 1964 and negotiations under way for additional purchases, it is likely that total grain imports in 1964 will exceed the 5.7 million tons imported in 1963.

Torrential rains fell over much of South, Central, and East China during the period 11 through 23 June, and over the Yangtze Valley between 24 and 30 June. Although there have been many reports of flooding and waterlogging in South and Central China, damage to crops is not believed to be serious. Crop losses may become significant should rainfall be unusually heavy in July when the early rice crop normally is harvested.

With the exception of eastern Honan, June precipitation was less than 50 percent of normal over the North China Plain. Drying conditions in these areas should be beneficial for the harvesting of winter wheat. Precipitation over most of Northeast China, a major spring wheat and soybean region, was timely and near normal during June.

Although it is too early to predict the outcome of the important fall harvest, the expanded acreage of these crops and the current favorable growing conditions in many areas are harbingers of a good harvest. However, changes in the normal cropping pattern, brought about by unusually high soil moisture levels, make the fall harvest more susceptible to damage by drought if such conditions should develop later on in the season.

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6. North Vietnam

The early rice harvest in North Vietnam is believed to have been much better than the poor harvest of 1963. Favorable moisture conditions during the past winter and spring were beneficial to crop growth. The harvest of subsidiary crops such as sweet potatoes is also expected to be much improved over last year.

Despite the improved early harvest and the optimistic outlook for the late harvest, food imports probably will be continued in order to replenish depleted stocks.

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5. North Korea

Precipitation in the major agricultural areas of North Korea was less than 50 percent of normal in June, the second consecutive month of much below normal rainfall. Little direct evidence is available, but soil moisture levels are reportedly quite low, and non-irrigated crops, particularly upland rice, likely are suffering from drought. However, no unusual imports of grain are anticipated at this time.

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6. Cuba

There have been no significant developments in Cuban agriculture during the past few weeks. We continue to estimate that the 1964 sugar crop totaled about 3.8 million metric tons, the same as the 1963 harvest.

Carlos Rafael Rodriguez, Cuba's agricultural chief, has recently given a series of interviews to US newsmen on the current situation and future prospects of Cuban agriculture. Rodriguez has taken a pessimistic view of Cuba's sugar production outlook and expects the 1965 sugar harvest to be as difficult as the one just completed. While Cuba is attempting to solve these difficulties through mechanization, Rodriguez does not believe that mechanization can make a significant contribution to the harvest before 1967, and therefore, he states, total sugar cane plantings will not be significantly increased for the next two seasons.

Rodriguez has provided interesting comments on other areas of Cuban agriculture, admitted that production of some major crops has declined since 1960 or 1961, particularly rice, potatoes, tomatoes, and cotton with output declines ranging from 4 percent for tomatoes to nearly 40 percent for rice.

The Cuban government now appears to feel that the solution to many of its agricultural problems can be achieved through a major reorganization of administration and through decentralization of control. The 800 existing state farms are being consolidated into 60 production units this year, according to the announced plan. Greater regional crop specialization will be undertaken as a move toward more efficient utilization of land. Finally, local agricultural managers are to be given greater freedom in the day to day operation of their farms. Rodriguez has stated that "we have found it is not possible to run agriculture from Havana." It is doubtful that much decentralization will be carried out; we note the formation of a new ministry of the sugar industry.

The pessimistic comments by Rodriguez may have been intended to give some support to world sugar prices, which are continuing the downward trend evident since the first of the year. Nevertheless, the forecast of a slow development of mechanization probably reflects Cuba's present expectations, and based on past performances, these expectations appear justified.

Further, there is a good chance that a new reorganization will introduce more confusion than efficiency. Cuban agriculture has had less than a year to recover from the disorganizing effects of the Second Agrarian Reform and it is not in a strong position to absorb yet another institutional change.

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